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MACROECONOMIC POLICY QUESTIONS: FINANCING OF DEVELOPMENT,
INCLUDING NET TRANSFER OF RESOURCES BETWEEN DEVELOPING
AND DEVELOPED COUNTRIES

United Republic of Tanzania*: draft resolution

Global financial flows and their impact on the
developing countries

The General Assembly,

Reaffirming its resolutions 51/166 of 16 December 1996 entitled "Global financial integration and strengthening collaboration between the United Nations and the Bretton Woods institutions" and 50/91 of 20 December 1995 entitled "Global financial integration: challenges and opportunities", as well as Economic and Social Council resolution 1996/43 of 26 July 1996 on strengthening collaboration between the United Nations development system and the Bretton Woods institutions,

Stressing that global financial flows present new challenges and opportunities for the international community and should constitute a very important element of the dialogue between the United Nations system and the Bretton Woods institutions,

Expressing its concern that many developing countries, among them most of the least developed countries, especially those of Africa, have not benefited from the globalization of financial flows and continue to be in great need of capital, especially official development assistance,

* On behalf of the States Members of the United Nations that are members of the Group of 77 and China.



Expressing its concern also that a number of developing countries have become more vulnerable, in the course of liberalizing their external economic and financial regimes, to the volatile fluctuations of private capital flows in international financial markets,

Mindful that all countries should continue their efforts to promote sustained economic growth and sustainable development, and that the major industrialized countries, which have significant weight in influencing world economic growth and the international economic environment, have special responsibilities for cooperating with developing countries so as to enhance the developing countries' ability to address and alleviate their major problems in the areas of finance, trade and external indebtedness, in order to rectify imbalances between the developed and the developing countries,

Deeply concerned at the recent fluctuations in the currencies of some developing countries which have had negative impacts on their economic stability, growth, trade and development process, and adverse impacts on other countries,

Recognizing the potential benefits for the world economy of greater freedom of capital movements, but at the same time noting that the capital account liberalization process puts additional stress on the economies that are already striving to adjust to globalization,

1. Takes note of the report of the Secretary-General on global financial integration: an update;¹
2. Stresses the urgent need to ensure wider and effective participation of developing countries in the decision-making processes on financial and macroeconomic policy issues of competent international financial institutions;
3. Expresses grave concern that sharp fluctuations in interest rates and exchange rates have the potential to disrupt the international monetary and financial system, thus aggravating the volatility of short-term capital flows;
4. Recognizes that, despite the fact that a number of developing countries have been able to take advantage of the globalization of financial flows, there is a need for the expansion of long-term private capitals flows and for access by developing countries to those flows, and also a need for the international community to facilitate and enhance such flows to low-income countries, especially the least developed countries and those in Africa;
5. Also recognizes the need, on the part of industrialized countries, for policy coherence and coordinated policies that promote a supportive international economic environment conducive to sustained and non-inflationary growth and the adjustments needed to address the imbalances in the world economy, and greater foreign exchange market stability;

¹ A/52/406.

6. Stresses the need for strengthened international cooperation, including through strengthened regional and multilateral cooperation, to prevent future currency turmoils which negatively affect not only developing countries but the international and financial monetary system;

7. Recognizes the adverse impact of sharp fluctuations among the major international currencies on developing countries, and in this regard calls on the International Monetary Fund to fully exercise its mandates so as to ensure effective surveillance over the macroeconomic policies of the countries involved in the management of these currencies;

8. Also recognizes that an effective International Monetary Fund surveillance mechanism would require, among other elements, the regular and timely provision of economic and financial data from all Fund members, as well as from private investors;

9. Takes note of the work of the Basle Committee on Banking Supervision where for the first time some developing countries were invited to participate in the work of drafting banking standards, and calls for enhanced participation of developing countries in standards-setting within banking institutions;

10. Calls on the International Monetary Fund to ensure a flexible approach in the exercise of its role in promoting capital account liberalization, so as to enable members to adjust the pace and sequencing of the liberalization of their capital account, in the light of their policy, institutional and financial conditions;

11. Requests the Secretary-General to analyse, in close cooperation with the heads of the Bretton Woods institutions and the Secretary-General of the United Nations Conference on Trade and Development, current trends in global financial markets and make recommendations in the World Economic and Social Survey, 1998 and the Trade and Development Report, 1998 on ways and means to address the problem of fluctuations in global financial markets, including measures to help economies become more resilient with respect to possible negative effects of currency trading, and to report on the effect of such sharp fluctuations on growth and development, in particular in developing countries;

12. Also requests the Secretary-General to report, in cooperation with the Bretton Woods institutions and the United Nations Conference on Trade and Development, to the General Assembly at its fifty-third session on the implementation of the present resolution.
